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December 21, 2017

VIA EMAIL & RESS

Ms. Kirsten Walli, Board Secretary
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: EB-2017-0373 and EB-2017-0374
Town of Collingwood and EPCOR Collingwood Distribution Corp. application under
section 86 of the *Ontario Energy Board Act, 1998* and application for other related relief

I am legal counsel to EPCOR Utilities Inc. and its subsidiaries. Enclosed please find an application pursuant to section 86 of the *Ontario Energy Board Act, 1998*, filed on behalf of the applicants, the Town of Collingwood (the “**Town**”) and EPCOR Collingwood Distribution Corp. (“**EPCOR**”).

This MAAD application contains two separate but related share acquisitions involving the sale of Collingwood PowerStream Utility Services Corp. (“**CollusHoldco**”), the holding company of Collus PowerStream Corp., the electricity distributor serving the Collingwood area. In the initial share transaction, the Town will acquire the remaining 50% interest in CollusHoldco from Alectra Utilities Corporation. Following the closing of this first transaction, the Town will be the sole shareholder of CollusHoldco. In the second transaction, EPCOR will acquire all of the issued and outstanding shares of CollusHoldco from the Town. The intent of the parties is that these share acquisition transactions will close on the same day subsequent to the receipt of the Board’s approvals for these transactions.

The Applicants request that the Board proceed by way of a written hearing.

Please do not hesitate to contact me by phone at (780) 412-3998 or by email at btan@epcor.com should you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Britt Tan", written in a cursive style.

Britt Tan
Legal Counsel
EPCOR Utilities Inc.

ONTARIO ENERGY BOARD

IN THE MATTER OF an application made by the Town of Collingwood for leave to purchase 50% of the issued and outstanding shares of Collingwood PowerStream Utility Services Corp. from Alectra Utilities Corporation, made pursuant to section 86(2)(b) of the *Ontario Energy Board Act, 1998* (the “**Phase 1 Acquisition**”).

IN THE MATTER OF an application made by EPCOR Collingwood Distribution Corp. for leave to purchase all of the issued and outstanding shares of Collingwood PowerStream Utility Services Corp. from the Town of Collingwood, made pursuant to section 86(2)(b) of the *Ontario Energy Board Act, 1998* (the “**Phase 2 Acquisition**”).

IN THE MATTER OF an application made by Collus PowerStream Corp., to be effective following the receipt of Phase 1 Acquisition approval from the Board, seeking to include a negative rate rider in the 2017 Board approved rate schedules of Collus PowerStream Corp. to give effect to a 1% reduction relative to 2017 base residential distribution rates (exclusive of rate riders), made pursuant to section 78 of the *Ontario Energy Board Act, 1998*.

Mapping of Application to filing requirements

Filing Requirements		Reference
2.1 The Index	Index	
2.2 The Application		
2.2.1 Administrative		
	Certification of the Evidence	Schedule K
	Details of the authorized representative of the applicant/s, including the name, phone and fax numbers, and email and delivery addresses	8
	Legal name of the other party or parties to the transaction, if not an applicant	1 8
	Details of the authorized representative of the other party or parties to the transaction, including the name, phone and fax numbers, and email and delivery addresses	8
	Brief description of the nature of the transaction for which approval of the OEB is sought by the applicant or applicants	2 - 4
2.2.2 Description of the Business of the Parties to the Transaction		
	Describe the business of each of the parties to the proposed transaction, including each of their electricity sector affiliates engaged in, or providing goods or services to anyone engaged in the generation, transmission, distribution or retailing of electricity	9.1
	Describe the geographic territory served by each of the parties to the proposed transaction, including each of their affiliates, if applicable, noting whether service area boundaries are contiguous or if not the relative distance between service boundaries.	9.2
	Describe the customers, including the number of customers in each class, served by each of the parties to the proposed transaction.	9.1 9.4
	Describe the proposed geographic service area of each of the parties after completion of the proposed transaction.	9.3
	Provide a corporate chart describing the relationship between each of the parties to the proposed transaction and each of their respective affiliates.	2 9.1 Schedule A Schedule B Schedule L
	If the proposed transaction involves the consolidation of two or more distributors, please indicate the current net metering thresholds of the utilities involved in the proposed transaction.	9.5
2.2.3 Description of the Proposed Transaction		
	Provide a detailed description of the proposed transaction.	2 3 4

Filing Requirements		Reference
	Provide a clear statement on the leave being sought by the applicant, referencing the particular section or sections of the <i>Ontario Energy Board Act, 1998</i> .	5 6
	Provide details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed transaction.	2 4
	Provide all final legal documents to be used to implement the proposed transaction	9.6 Schedule D Schedule E
	Provide a copy of appropriate resolutions by parties such as parent companies, municipal councils, or any other entities that are required to approve a proposed transaction confirming that all these parties have approved the proposed transactions.	Schedule I
2.2.4 Impact of the Proposed Transaction		
<i>Objective 1- Protect consumers with respect to prices and the adequacy reliability and quality of electricity service</i>		
	Indicate the impact the proposed transaction will have on consumers with respect to prices and the adequacy, reliability and quality of electricity service.	10.1 10.2
	Provide a year over year comparative cost structure analysis for the proposed transaction, comparing the costs of the utilities post transaction and in the absence of the transaction.	10.1
	Provide a comparison of the OM&A cost per customer per year between the consolidating distributors.	10.1
	Confirm whether the proposed transaction will cause a change of control of any of the transmission or distribution system assets, at any time, during or by the end of the transaction.	10.3
	Describe how the distribution or transmission systems within the service areas will be operated.	10.3
<i>Objective 2 - Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a financially viable electricity industry</i>		
	Indicate the impact that the proposed transaction will have on economic efficiency and cost effectiveness (in the distribution or transmission of electricity); identifying the various aspect of utility operations where the applicant expects sustained operation efficiencies (both quantitative and qualitative).	11.1
	Identify all incremental costs that the parties to the proposed transaction expect to incur which may include incremental transaction costs (e.g. legal, regulatory), incremental merged costs (e.g. employee severances), and incremental on-going costs (e.g purchase and maintenance of new IT systems). Explain how the consolidated entity intends to finance these costs.	11.2
	Provide a valuation of any assets or shares that will be transferred in the proposed transaction. Describe how this value was determined.	11.3
	If the price paid as part of the proposed transaction is more than the book value of the assets of the selling utility, provide details as to why this price will not have an adverse effect on the financial viability of the acquiring utility.	11.4

	Filing Requirements	Reference
	Provide details of the financing of the proposed transaction.	11.5
	Provide financial statements (including balance sheet, income statement, and cash flow statement) of the parties to the proposed transaction for the past two most recent years.	11.6 Schedule F Schedule G
	Provide pro forma financial statements for each of the parties (or if an amalgamation, the consolidated entity) for the first full year following the completion of the proposed transaction.	11.7 Schedule H
2.2.5 Rate considerations for consolidation applications		
	Indicate a specific deferred rate rebasing period that has been chosen	12.1
	For deferred rebasing periods greater than five years, confirm that the ESM will be as required by the 2015 Report and the Handbook	N/A
	If the applicants proposed ESM a different from the ESM set out in the 2015 Report, the applicant must provide evidence to demonstrate the benefit to the customers of the acquired distributor.	N/A
2.2.6 Other Related Matters		
	Approval to continue with existing rate riders	13.3
	Transfer of rate order and license	N/A
	License amendment and cancellation	N/A
	Approval to continue to track costs to the deferral and variance accounts currently approved by the OEB	13.2
	Confirmation re no change in accounting standards for financial reporting following the closing of the proposed transaction	13.4

APPLICATION

1. Introduction

EPCOR Utilities Inc. (“**EUI**”) is a corporation incorporated under the laws of the Province of Alberta and is the parent company of EPCOR Collingwood Distribution Corp., (“**EPCOR**”) a corporation incorporated under the laws of the Province of Ontario.

EUI’s electricity distribution system serves approximately 389,788 customers in the City of Edmonton, Alberta. EPCOR Utilities Inc.’s predecessor distribution utility, the Edmonton Electric Lighting and Power Company, was established in 1891. EUI has been actively participating in local distribution company’s (“**LDCs**”) sales processes in order to establish a regulated utility platform in Ontario with the goal of growing the business through future consolidation-driven acquisitions. If approved, this acquisition provides EUI with that foothold.

Collus PowerStream Corp. (“**CollusLDC**”) is, at the date of this Application, a wholly owned subsidiary of Collingwood PowerStream Utility Services Corp. (“**CollusHoldco**”). CollusHoldco is a holding company, currently owned jointly on a 50-50 basis by the Town of Collingwood (“**Collingwood**” or the “**Town**”) and Alectra Utilities Corporation (“**Alectra Utilities**”).

CollusLDC’s distribution system serves approximately 16,864 Residential and General Service customers in its service territory comprised of Collingwood, Stayner, Creemore and Thornbury. Until 2012, CollusLDC was wholly owned by the Town.

2. Overview of Application

The purpose of this Application is to obtain Ontario Energy Board (the “**OEB**” or the “**Board**”) approvals to implement a two-phase share sale which ultimately will result in EPCOR acquiring 100% ownership and control of CollusLDC through 100% ownership of CollusHoldco.

The first transaction involves Collingwood acquiring Alectra Utilities’ existing 50% interest in CollusHoldco (the “**Phase 1 Acquisition**”). In the second share sale, to close on the same day as the Phase 1 Acquisition achieves financial close, EPCOR will acquire 100% of CollusHoldco from Collingwood (the “**Phase 2 Acquisition**”).

The diagrams below illustrate the current ownership structure and the two-phase share sale.

Figure 1: Current Ownership Structure

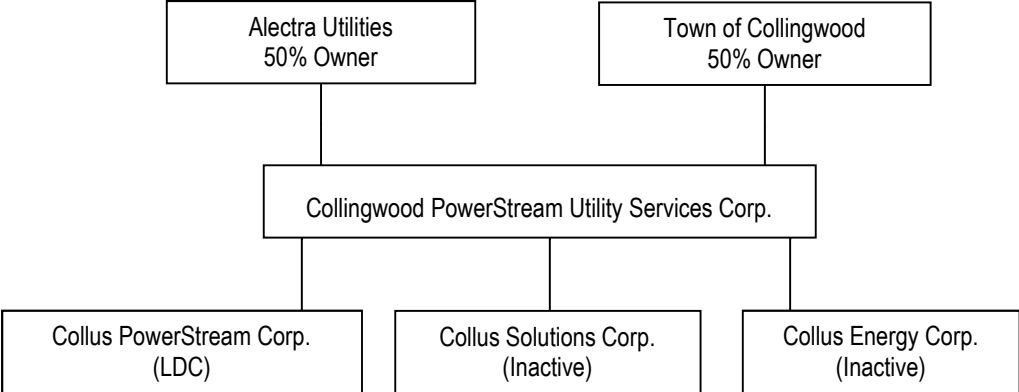


Figure 2: Phase 1 Acquisition

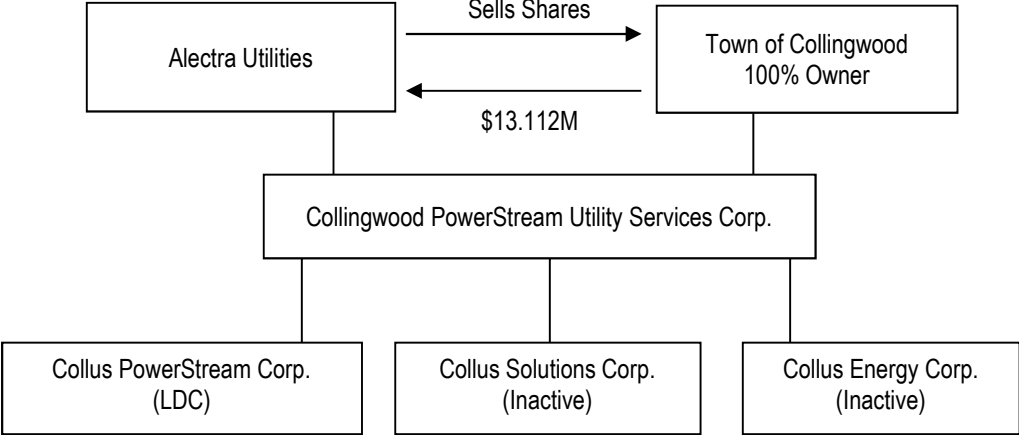
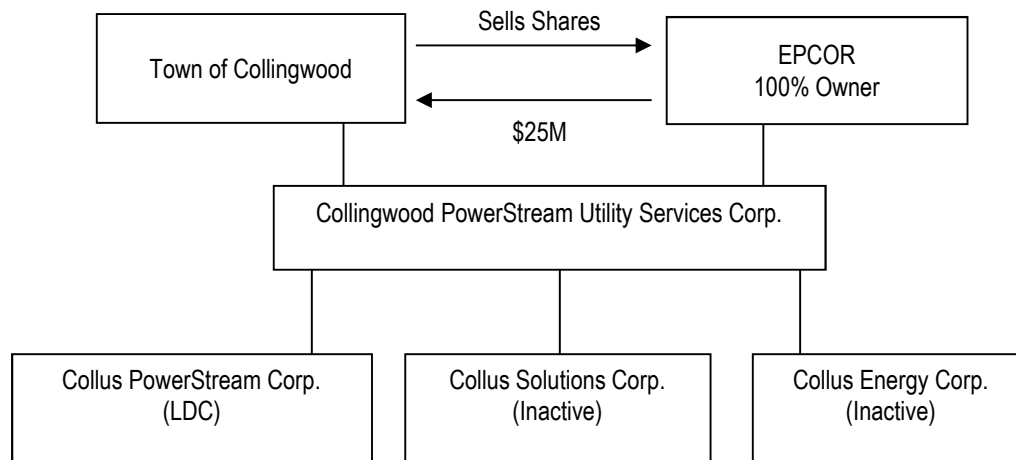


Figure 3: Phase 2 Acquisition



3. The Phase One Transaction: Collingwood’s Share Acquisition from Alectra Utilities

In 2012 Collingwood sold 50% of its CollusHoldco shares to PowerStream Utility Services Corp. (now Alectra Utilities).¹ As a consequence of this share sale Collingwood and Alectra Utilities entered into a binding unanimous shareholders’ agreement (the “USA”).

The USA contains “buy/sell” or “shotgun” provisions governing the obligations on both parties should a shareholder wish to sell their shares. According to the terms of the buy/sell clauses, once one shareholder makes an offer, the other shareholder who received it must either:

- Accept the offer and sell on the price and terms offered, or
- Buy out the shareholder who made the offer on the same price and terms offered.
- If no response is received within 20 days the receiving party is deemed to sell its shares at a 10% discount from the offered price.

On October 23, 2017 the Town of Collingwood issued buy/sell offers pertaining to its CollusHoldco shares to Alectra Utilities pursuant to the USA. The effect of issuing the buy/sell offers was that the parties agreed to either purchase or sell their respective 50% of the issued and

¹ OEB Decision and Order EB-2012-0056, dated July 12, 2012.

outstanding shares in CollusHoldco for the purchase price of \$13,112,500 (the “**Alectra Agreement**”) and other terms.

One term included in the Alectra Agreement is as follows:

- The purchase price is subject to adjustments after closing for working capital, net fixed assets, regulatory accounts and long term debt, as defined in the Alectra Agreement.

4. The Phase Two Transaction: EPCOR’s Share Acquisition from Collingwood

On October 23, 2017, Collingwood also entered into an agreement with EPCOR (the “**EPCOR Agreement**”), subject to a condition precedent described below, the effect of which is that Collingwood agreed to sell, and EPCOR has agreed to buy, all of the issued and outstanding shares of CollusHoldco. The condition precedent was that Alectra Utilities must first agree to sell its 50% interest in CollusHoldco to Collingwood. Pursuant to the EPCOR Agreement, the purchase price to be paid by EPCOR to Collingwood is \$25M for the shares, and the assumption of CollusLDC’s short- and long-term debt.

The EPCOR Agreement also contained other terms including:

- (a) EPCOR shall seek Board approval to include a negative rate rider in the 2017 Board approved rate schedules of CollusLDC to give effect to a 1% reduction relative to 2017 base residential distribution rates (exclusive of rate riders). In addition, EPCOR shall seek a rebasing deferral of five years after closing;
- (b) EPCOR shall maintain continued employment and location guarantees for all active employees of CollusLDC for a period of two years from closing;
- (c) EPCOR shall pay Collingwood \$200,000 towards the Town’s transaction costs;
- (d) EPCOR shall establish an advisory committee (the “**Advisory Committee**”) to provide a forum for ongoing communication between Collingwood and EPCOR after closing of the Phase 2 Acquisition;
- (e) EPCOR shall continue to fund all existing debt obligations including CollusLDC’s existing Infrastructure Ontario loans;
- (f) EPCOR shall pay the Town \$10,000 towards costs incurred as a result of its role as nominee and trustee related to existing Infrastructure Ontario loans;

(g) EPCOR shall pay Collingwood \$150,000 towards the Town's Waterfront Master Plan Reserve Fund; and

(h) The purchase price is subject to adjustments after closing for working capital, net fixed assets, regulatory accounts and long term debt, as defined in the EPCOR Agreement.

On November 8, 2017 Alectra Utilities accepted Collingwood's offer and agreed to sell its CollusHoldco shares back to the Town. Alectra Utilities' acceptance of Collingwood's offer had the effect of discharging the condition precedent and thereby gave effect to the October 23, 2017 Collingwood-EPCOR Agreement (whose purchase price adjustment provisions mirror those contained in the Alectra Agreement).

While the share acquisition transactions before the Board will close in two separate, back-to-back sequential phases (Alectra Utilities' share sale to Collingwood followed forthwith by the Town's share sale to EPCOR), the end result is to facilitate the sale of 100% of the CollusHoldco Shares to EPCOR. Accordingly, the Town's share purchase from Alectra Utilities is purely transitional and temporary in nature and involves no operational implications for the distributor since EPCOR will be assuming all effective operational control of the utility on closing (which will happen on the same day that the Collingwood share acquisition transaction with Alectra Utilities closes).

The Town of Collingwood no longer has any interest or desire to own all or part of an electricity distribution company. The Phase 1 Acquisition is simply a consequence of the Town satisfying a contractual obligation which it is subject to arising from the buy/sell obligations contained in the USA with Alectra Utilities.

As EPCOR is acquiring all of the issued and outstanding shares of the parent company of the utility, CollusHoldco, the current electricity distribution licence of CollusLDC will remain in place. Promptly following the closing of the Phase 2 Acquisition, EPCOR, as the sole shareholder of CollusLDC, will amend the articles of incorporation of CollusLDC to change the name to EPCOR Collingwood Local Distribution Corp. EPCOR will seek an amendment of CollusLDC's distribution licence with the Board to reflect this name change.

5. OEB Approval Requests

The Applicants, being Collingwood and EPCOR, hereby apply to the Board for the following approvals under Section 86(2)(b) of the *Ontario Energy Board Act, 1998* (the "**Act**" or the "**OEB Act**"):

- Collingwood is applying to the Board pursuant to section 86(2)(b) of the Act seeking leave to acquire 50% of the issued and outstanding shares of CollusHoldco from Alectra Utilities; and
- EPCOR is applying to the Board pursuant to section 86(2)(b) to purchase all of the issued and outstanding shares of CollusHoldco from Collingwood.

6. Other Approvals and Considerations

As part of the Phase 2 Acquisition, EPCOR also applies for the following additional relief:

- approval to include a negative rate rider in the 2017 Board approved rate schedules² of CollusLDC to give effect to a 1% reduction relative to 2017 base residential distribution rates (exclusive of rate riders).
- approval to defer the rate rebasing of CollusLDC for five years from the date of closing of the proposed transactions, consistent with the Board policy set out in the March 26, 2015 Report on Rate-Making Associated with Distributor Consolidation (the “**Consolidation Policy**”).
- approval to continue to track costs to the regulatory asset accounts currently approved by the OEB for CollusLDC and to seek disposition of their balances at a future date.

CollusLDC rate riders will continue as per CollusLDC’s existing rate schedule until expiry.

EPCOR intends to use an Incremental Capital Module (“**ICM**”) during the five year deferred rebasing period, as described on page 17 of the Board’s Handbook for Electricity Distributor and Transmitter Consolidations revised January 19, 2016 (the “**Handbook**”).

During the five year deferred rebasing period, rates of customers of CollusLDC will be adjusted using the Price Cap IR adjustment mechanism.

The Phase 1 and Phase 2 share acquisition transactions described herein were completed on a commercial basis between willing sellers and willing buyers.

² Rate schedules as approved by the OEB in EB-2016-0064

The Applicants, being Collingwood and EPCOR, submit that the evidence supports the approval of the proposed transactions and all relief requested, as the transactions will have a positive or neutral effect on the attainment of the OEB's statutory objectives, and the customers of CollusLDC will be held harmless. This is achieved as a result of the following:

- The proposed transaction will not have an adverse impact on the price, adequacy, reliability and quality of electricity services of CollusLDC. As a result of the transaction, CollusLDC customers will receive lower distribution rates for five years post-closing as compared to the status quo. Following the initial five year deferral period, the cost structure of the utility is expected to be lower than the status quo.
- The proposed transaction has no adverse impact on the promotion of electricity conservation and demand management, or the use and generation of electricity from renewable energy sources.
- The proposed transaction will enhance competition in the ongoing consolidation of Ontario's electricity distribution sector with the introduction of EPCOR into the marketplace, a large, well-capitalized, experienced Canadian electricity distributor.
- The proposed transaction allows Collingwood to exit from its current ownership position in CollusLDC and thereby eliminate risk to the Town and its taxpayers associated with anticipated and potentially disruptive technological changes which may have significant impacts and present challenges to the traditional regulated distribution monopoly construct. As a local government, Collingwood has limited financial capacity and no appetite to respond to these kinds of commercial challenges given numerous other municipal priorities the Town faces. On the other hand, EUI a company with \$9.8 billion in assets, an A- credit rating, and extensive experience as both owner and operator of a large electricity distribution utility, is in a much stronger position to effectively respond to these anticipated challenges impacting the electricity distribution sector.

The Application follows the Filing Requirements contained in the Handbook. The mapping of the Application's content to the Handbook's Filing Requirements has been provided above at the outset of the Application.

The Application adheres to the Board's Consolidation Policy and to the Board's Handbook.

The Applicants respectfully request that this Application be heard by way of a written hearing.

7. The No Harm Test

The Handbook states that to demonstrate no harm, applicants must show that there is a reasonable expectation based on underlying cost structures that the costs to serve customers following the proposed transaction will be no higher than they would otherwise have been. The Handbook also states that the impact the proposed transaction will have on economic efficiency and cost effectiveness will be assessed based on an applicant's identification of the various aspects of utility operations where it expects sustained operational efficiencies, both quantitative and qualitative.

In this case, the Applicants submit that the effect of the acquisition on underlying cost structures will be positive, that costs to serve customers will not be higher as a result of the acquisition and that the acquisition will have a positive effect on economic efficiency and cost effectiveness.

In particular, as will be seen from the evidence in the Application:

- The proposed transaction will have a neutral or positive impact on CollusLDC customers with respect to price and the adequacy, reliability, and quality of electricity service. Over the course of the five year rebasing deferral period, customers will benefit from lower distribution rates compared to expected rates under the status quo ownership of CollusLDC.
 - EPCOR is applying for approval to include a negative rate rider in the 2017 Board approved rate schedules of CollusLDC to give effect to a 1% reduction relative to 2017 base residential distribution rates (exclusive of rate riders).
 - EPCOR is applying for approval to defer the rate rebasing of CollusLDC for five years from the date of closing of the proposed transactions, consistent with the Board policy set out in the Consolidation Policy.
- Ratepayers will benefit from cost reductions after the five year deferred rate rebasing as targeted integration of certain support functions with EUI will reduce CollusLDC's underlying cost structure.
- EPCOR intends to remain active in the LDC consolidation market. Further acquisitions will allow for consolidation and create the potential for new economic efficiencies and cost effectiveness.
- CollusLDC will benefit from knowledge transfer from EUI's existing operations related to asset management, project management, safety, standard operating procedures, and planning.

- EPCOR is obligated under the EPCOR Agreement to meet or exceed current reliability standards for the next five years. EPCOR is committed to this obligation for years six and beyond.
- Customers will benefit from EPCOR's 125 years of experience as a well-capitalized electricity distribution system operator.
- EPCOR will continue with current planned capital expenditures identified in CollusLDC's most recent Distribution System Plan. These expenditures will be of the order of \$3 million per year on average for the next five years.
- Customers will benefit from the continued local presence of EPCOR who will maintain a headquarters in Collingwood and lease the CollusLDC facilities at 43 Stewart Road in Collingwood for up to 25 years.
- Employees of CollusLDC will benefit from a two year job and location guarantee, and all existing employment contracts, collective agreements, pension and benefits schemes will remain in place.
- EPCOR will continue to promote electricity conservation and demand management.
- EPCOR will continue to facilitate the implementation of a smart grid in Ontario.
- EPCOR will continue to promote the use and generation of electricity from renewable sources and will continue to reinforce the distribution systems throughout its service territories in order to accommodate the connection of renewable energy generation facilities.
- EPCOR will establish the Advisory Committee to provide a forum for communication and dialogue between EPCOR and the Town and ratepayers. The Advisory Committee will receive information on, and provide input and feedback on, the provision of the utility distribution services in the service territory with an emphasis on quality of service, reliability, safety, and presence in the community.
- EPCOR will follow the guidelines established by the OEB with respect to notice requirements for the regulatory approval application in respect of the Application. EPCOR will also hold, at the option of CollusLDC, three public information sessions in three different locations in the service territory and create a dedicated website including all necessary information, accessible via a link from CollusLDC's website.

8. Details of the Authorized Representatives of the Applicants

The Applicants request that a copy of all documents filed with the Board be served on the Applicants and the Applicants' counsel, as follows:

a) The Applicant

EPCOR Utilities Inc. & EPCOR Collingwood Distribution Corp.

Bruce Brandell

Director, Commercial Services

2000 – 10423 101 Street NW

Edmonton, Alberta T5H 0E8

Phone: 780-412-3720

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b) Counsel to EPCOR

Britt Tan

Legal Counsel

2000-10423 101 Street NW

Edmonton, AB T5H 0E8

Phone: 780-412-3998

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Email: btan@epcor.com

c) The Co-Applicant:

Town of Collingwood

Fareed Amin

Chief Administrative Officer

Corporation of the Town of Collingwood

97 Hurontario Street, P.O. Box 157

Collingwood, ON L9Y 3Z5

Phone: 705-445-1030

Fax: 705-445-2448

Email: famin@collingwood.ca

d) Counsel to the Town of Collingwood

J. Mark Rodger

Borden Ladner Gervais LLP

Bay Adelaide Centre, East Tower, 22 Adelaide Street West

Toronto, Ontario, Canada, M5H 4E3

Phone: 416-367-6190

Fax: 416-367-6749

Email: mrodger@blg.com

Other Parties

e) Party

Collus PowerStream Corp.

Cindy Shuttleworth
Chief Financial Officer
43 Stewart Road
Collingwood, ON L9V 4M7
Phone: 705-445-1800
Fax: 705-445-8267
Email: cshuttleworth@collus.com

f) Party

Alectra Utilities Corporation

Indy Butany-DeSouza
Vice President, Regulatory Affairs
2185 Derry Road West
Mississauga, ON L5N 7A6
Phone: 905-821-5727
Email: indy.butany@alecrautilities.com

g) Counsel to Alectra Utilities

Charles Keizer
Torys
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Toronto, ON M5K 1N2

Phone: 416-865-7512

Fax: 416-865-7380

Email: ckeizer@torys.com

9. Description of the Business of the Parties to the Transaction

9.1 Business of each of the parties to the proposed transaction

CollusLDC

CollusLDC is a *Business Corporations Act* (Ontario) corporation and a licensed electricity distributor that owns and operates electricity distribution systems that provide service to the Town of Collingwood as well as the former Towns of Thornbury, Stayner and Creemore. Prior to the Phase 1 Acquisition, CollusLDC was 50% owned by the Town and 50% owned by Alectra Utilities. Subsequent to the Phase 2 Acquisition, CollusLDC will be 100% owned by EPCOR. CollusLDC is embedded in the Hydro One distribution system. CollusLDC is a registered Market Participant dealing directly with the IESO and has seven metering points metered by Hydro One. Consequently, CollusLDC deals with both the IESO and with Hydro One for the purchase of electricity which is passed through to its customers. As an embedded utility, CollusLDC is billed monthly by Hydro One for Transmission and Low Voltage Charges. CollusLDC does not act as a host distributor to any utilities.

CollusLDC also has other affiliate corporations which are listed as follows:

- Alectra Utilities
- Collingwood PowerStream Utility Services Corporation (Holding Company)
- Collus PowerStream Solutions Corp (Services Company - Inactive)
- Collus PowerStream Energy Corp (Retail Company – Inactive)

Corporate charts which show the relationship between CollusLDC and affiliates are attached hereto at Schedule A.

Alectra

Alectra Utilities is an Ontario corporation that carries on the business of distributing electricity within the Cities of Mississauga, Hamilton, St. Catharines, Brampton, Alliston, Aurora, Barrie, Beeton, Bradford, Markham, Penetanguishene, Richmond Hill, Thornton, Tottenham, and Vaughan under Ontario Energy Board Electricity Distributor Licence No. ED-2016-0360. Alectra Inc. is the holding company for the business and corporate functions. Alectra Inc. owns 100% of Alectra Utilities. Alectra Inc. is indirectly owned by five municipal shareholders (the cities of Vaughan, Hamilton, Markham, Barrie and St. Catharines) and Enersource Corporation, which is owned by the City of Mississauga (90%) and BPC Energy Corporation (10%).

Alectra Inc. was created through the amalgamation of PowerStream Holdings Inc., Enersource Holdings Inc. and Horizon Holdings Inc. on January 31, 2017. Alectra Utilities was formed through the amalgamation of the predecessor electricity distributors: PowerStream Inc., Enersource Hydro Mississauga Inc., and Horizon Utilities Corporation on January 31, 2017. On February 28, 2017, it acquired all of the shares of Hydro One Brampton Networks Inc., with assets moved to Alectra Utilities on March 2, 2017.

Alectra Utilities is the second largest municipally-owned electric utility by customer base in North America, second only to the Los Angeles Department of Water and Power.

Alectra Utilities' electricity sector affiliates are as follows:

- Alectra Energy Solutions Inc. (“**AESI**”) is owned 100% by Alectra Inc. AESI is a company that provides non-regulated energy services to residential, commercial and industrial customers. AESI owns 100% of:
 - Alectra Energy Services Inc., which provides sub-metering and home energy management services to approximately 35,000 customers.
 - Alectra Power Services Inc., which provides street lighting and maintenance services, and owns and operates renewable energy generation and storage assets to approximately 20,000 customers.
- Horizon Solar Corp. is owned 100% by Alectra Inc. It is an investment holding company with 0.01% ownership interest in Solar Sunbelt General Partnership (“**Solar Sunbelt GP**”).
- Solar Sunbelt GP is owned 0.01% by Horizon Solar Corp. and 99.99% by Alectra Utilities. It carries on a solar generation business to develop, construct, own, finance and operate rooftop solar photovoltaic generation equipment (“**Solar PV Property**”). The electricity

generated by the Solar PV Property is sold to the IESO under its Feed-in-Tariff long-term power purchase agreements.

- Alectra Utilities holds a 50% interest in CollusHoldco, a holding company that wholly owns, among other corporations, CollusLDC, the licensed electricity distributor that owns and is responsible for the operation, maintenance and management of the assets associated with the distribution of electrical power and energy in Collingwood, Stayner, Creemore and Thornbury, pursuant to Distribution Licence ED-2002-0518. The other 50% of CollusHoldco is owned by Collingwood. The other corporations owned by CollusHoldco are Collus PowerStream Energy Corp., a non-operating retail company that was established during the corporatization of the public utilities, and Collus PowerStream Solutions Corp., which provided supervisory, operational, engineering, finance and administrative services.

EPCOR

EPCOR is an Ontario corporation. On the successful approval of the acquisition of CollusHoldco, EPCOR will carry on and continue the business of CollusLDC. EPCOR is an indirect subsidiary of EUI. Schedule B to this application sets out EPCOR's corporate structure.

If the proposed transaction is successful, EPCOR Natural Gas Limited Partnership and its general partner, EPCOR Ontario Utilities Inc. will be affiliates of CollusLDC.

EUI is a corporation incorporated under the laws of the Province of Alberta and is wholly owned by the City of Edmonton, with its head office located in Edmonton, Alberta. EUI, through its (wholly-owned) subsidiaries, builds, owns and operates electrical, natural gas and water transmission and distribution networks, water and wastewater treatment facilities, sanitary and stormwater systems, and infrastructure in Canada and the United States. The company also provides electricity, natural gas and water products and services to residential and commercial customers.

EUI operates its electricity distribution and transmission, water services, energy services (retail energy supply) and corporate business segments through sister corporate subsidiaries. This organizational structure allows EUI to separate its regulated business segments from each other as well as from its non-regulated business segments. This allows EUI to meet the differing regulatory requirements that its regulated businesses are subject to and also ensures that the liabilities and obligations of one business segment or subsidiary do not adversely affect another.

EUI's electricity distribution and transmission businesses own and operate high voltage substations and transmission lines situated within and around Edmonton, Alberta, and form part of the Alberta Interconnected Electric System ("AIES") power grid. The 2016 rate base of these businesses is \$1.659 billion. Through these facilities, EUI's businesses provide transmission services to the Alberta Electric System Operator ("AESO"), the independent not-for-profit entity that is charged with ensuring the efficient operation and expansion of the Alberta transmission grid. EUI's businesses own and operate 72 kV, 138 kV, 240 kV and 500 kV lines and cables, as well as 30 transmission substations, and operate approximately 257 circuit kilometers of aerial transmission lines and underground transmission cables. EUI's businesses also own and operate aerial and underground distribution lines and related facilities operating at 5kV, 15kV and 25kV for the distribution of power to customers within the City of Edmonton, including five distribution substations, 286 distribution feeders, approximately 5,718 circuit kilometers of primary distribution lines, and advanced metering infrastructure (i.e., "Smart Meters"). In 2016, EUI's electricity business distributed approximately 13% of Alberta's provincial energy consumption to approximately 352,853 residential and 36,935 commercial and industrial customer sites in Edmonton.

EUI provides water and wastewater services to more than 1.9 million people in over 85 communities in Western Canada. In conjunction with some of these services, EUI also provides financing and construction services to municipal and industrial customers in Western Canada. Within the City of Edmonton, EUI's system includes approximately 3,900 km of distribution and transmission mains, 19,800 hydrants, 62,000 valves and 12 reservoir sites. In Edmonton and surrounding areas, EUI's businesses service a population of over 800,000 and deliver bulk water to over 65 communities and counties. EUI's businesses own one and operate 33 water or wastewater treatment/distribution facilities outside Edmonton in Alberta, British Columbia, and Saskatchewan.

In addition, EUI's businesses provide water, wastewater, and natural gas distribution services to more than 360,000 customers in three states (Arizona, New Mexico and Texas), 37 communities, and 15 counties in the Southwestern U.S. EUI has also recently purchased a pipeline entering into the business of transporting water to the water scarce region of the State of Texas.

EUI's energy services business procures electricity for its Regulated Rate Option and default supply customers in Alberta and provides customer care and billing services to its customers, and certain customer care and billing services to affiliates and third parties. The energy services business also sells electricity and natural gas to Alberta consumers under competitive contracts through its Encor brand. EUI provides billing and customer care services to approximately 640,000 energy and natural gas customer sites and 265,000 water customer sites in Alberta.

In its various business units (electricity distribution and transmission; water treatment and distribution; natural gas distribution; and energy services), EUI's customers number in the hundreds of thousands and enjoy service quality and reliability well in excess of regulatory requirements and industry standards. EUI has been recognized for more than a decade as one of Alberta's and Canada's best employers and corporate citizens, and intends to bring its expertise and reputation for quality to the Ontario market. Details of EUI's corporate profile, major operations and corporate finances are provided in EUI's July 2017 Investor Presentation, a copy of which is attached as Schedule C.

EUI demonstrates its commitment to providing a safe, healthy workplace through its health and safety policy and programs which focus on leading indicators such as near miss reporting, workplace inspections and audits to assist employees in identifying hazards. A number of EUI's businesses or facilities have been recognized for their safety standards, including in its electrical distribution and transmission businesses which were recipients of the CEA 2017 President's Award of Excellence for Employee Safety. In 2015 and 2016, EUI's electricity distribution and transmission businesses had a Lost Time Injury Frequency ("LTIF") of 0.13 and 0.00 respectively, which is well below the average of 0.24 reported by the Canadian Electricity Association for electricity businesses of a similar size. EUI and its predecessors, through their subsidiaries, have provided reliable utility service for over 125 years, consistently meeting and exceeding service quality and safety metrics in the areas served.

EUI has extensive experience integrating and supporting utility businesses as a result of its expansion over the years. The most recent example is EPCOR Natural Gas Limited Partnership's (a subsidiary of EUI) 2017 purchase of the gas distribution system of Natural Resource Gas Limited ("NRG"), a natural gas distributor in Ontario. This experience will be applied to review the processes and technology of CollusLDC in the context of EUI's experience and skills. This will support the efficient and effective integration of targeted functions of CollusLDC's business with EUI, ensuring processes are in place to enable knowledge transfer as well as the provision of targeted administrative services and executive oversight.

9.2 Geographic territory served by each of the parties to the proposed transaction

CollusLDC

A map of CollusLDC's service areas is described below in Figure 4.

Neighbouring utilities include:

Hydro One Networks Inc.

483 Bay Street

South Tower, 7th Floor

Toronto, ON

M5G 2P5

And

Wasaga Distribution Inc.

100 River Road

Wasaga Beach, Ontario

L0M 1N0

Figure 4: Collus PowerStream Corp. Service Territory



Alectra

Figure 5: Service Area Map of Alectra Utilities below describes the geographic territory served by Alectra Utilities. Alectra Utilities' service area is comprised of the distribution service areas of the former Enersource Hydro Mississauga Inc. (ED-2003-0017); Horizon Utilities Corporation (ED-2006-0031); Hydro One Brampton Networks Inc. (ED-2003-0038); and PowerStream Inc. (ED-2004-0420) as they existed at the date of the completion of their consolidation, as approved by the OEB in its Decision and Order in OEB File No. EB-2016-0025.

The service areas of these predecessor distributors are referred to as Rate Zones for the purposes of describing Alectra Utilities' service area. The geographic territory served by Alectra Utilities is described in detail in Distribution Licence EB-2016-0360, Schedule 1. The communities of Markham, Aurora, Richmond Hill, Vaughan, Brampton and Mississauga are contiguous. The

Hamilton border (at Highway 5 in Waterdown) is 22 km from the Mississauga border (at Highway 5 and 9th 11 Line).

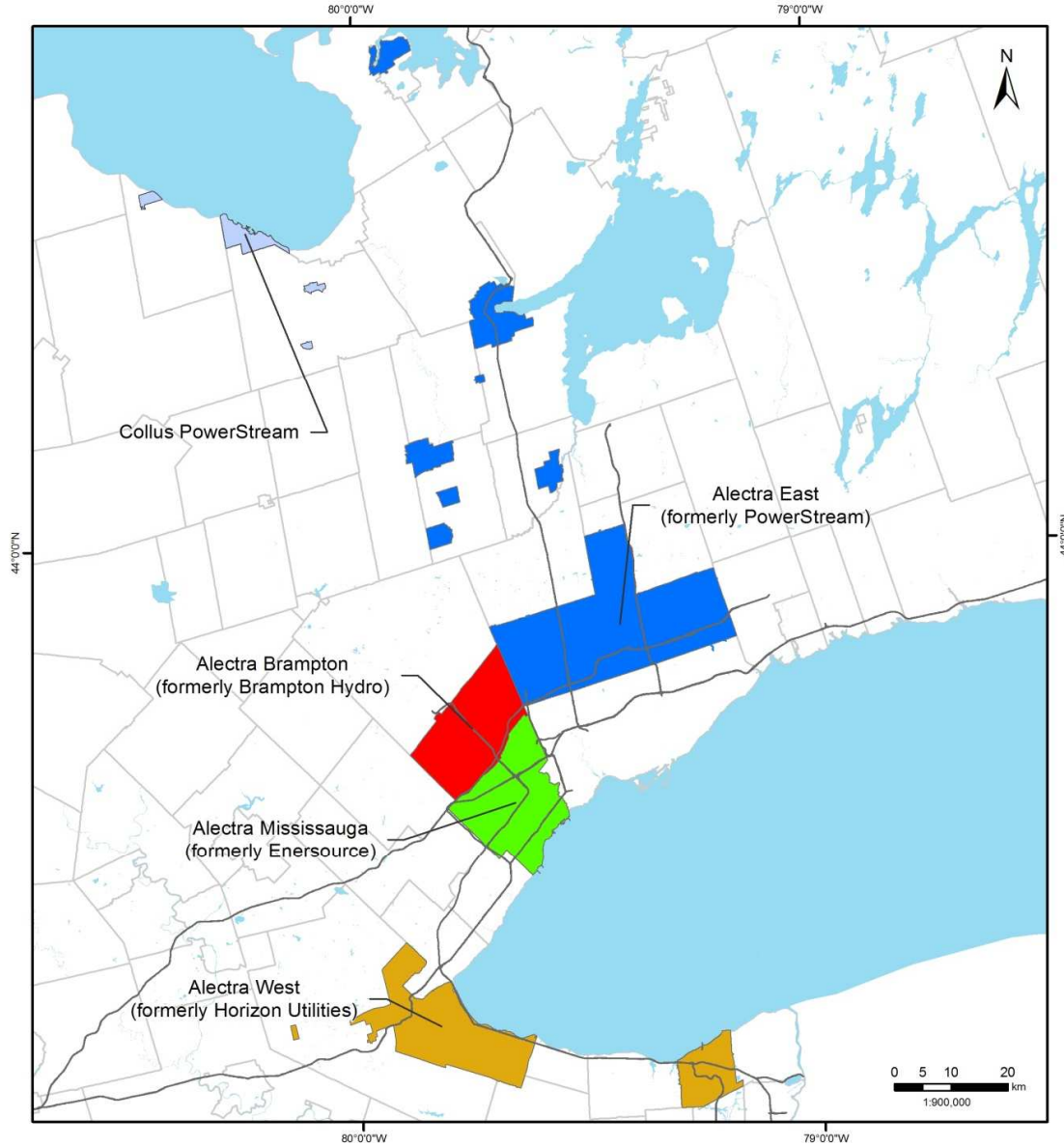
In the Horizon Rate Zone, the cities of Hamilton and St. Catharines are 26 km apart from border to border, and while not contiguous, they have been effectively served by the former Horizon Utilities since 2005 and now by Alectra Utilities.

In the PowerStream Rate Zone, Barrie and Aurora are 43 km apart border to border, and Barrie and Penetanguishene are 50 km apart, and thus these communities are not contiguous. Similarly, Alliston, Beeton, Bradford, Penetanguishene, Thornton and Tottenham, are not contiguous with either Barrie or Vaughan.

See below: (i) Figure 5- map of Alectra Utilities' service area (also showing the service area of Collus PowerStream); and (ii) Figure 6 - map showing relative distances between the service boundaries of Alectra Utilities' rate zones:

Figure 5: Service Area Map of Alectra Utilities

Alectra Utilities Legacy Service Areas



Legend

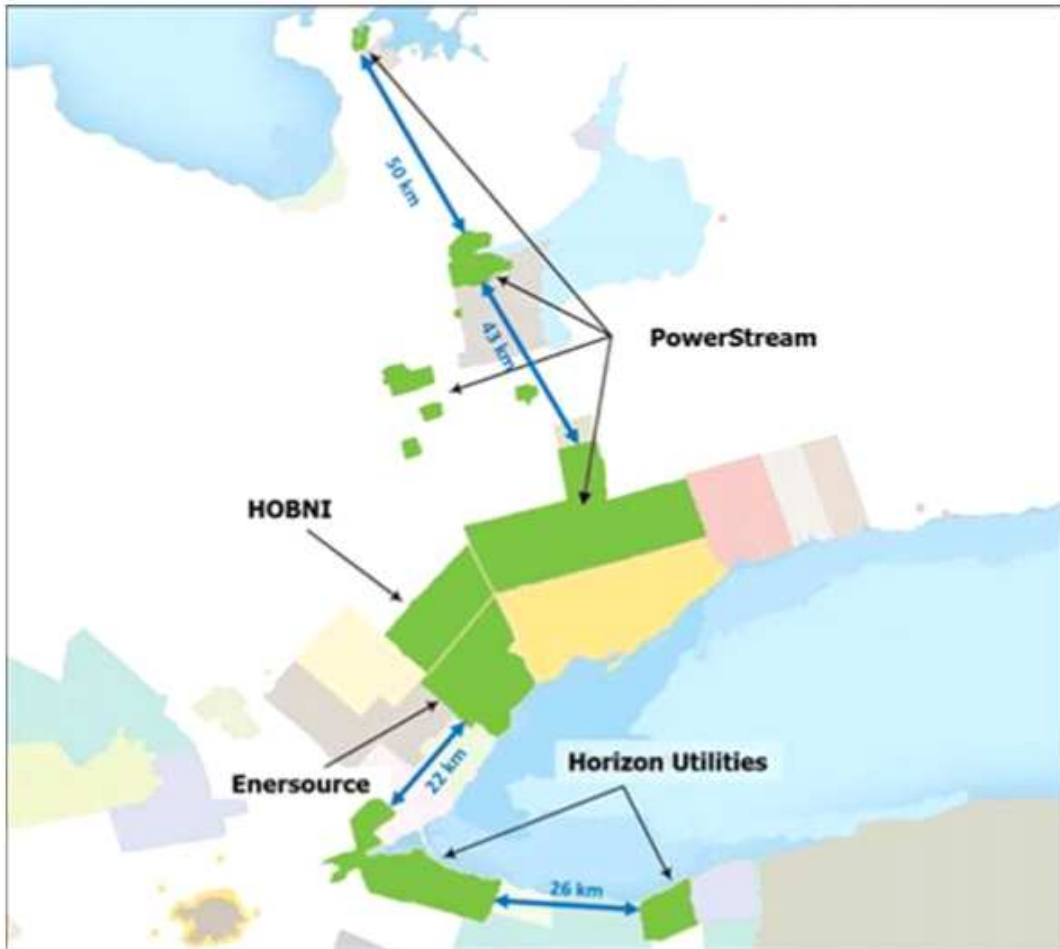
- Alectra Central South (formerly Enersource)
- Alectra West (formerly Horizon Utilities)
- Alectra Central North (formerly Brampton Hydro)
- Alectra East (formerly PowerStream)
- Collus PowerStream
- Streams & Rivers
- Lakes
- Municipality Boundaries
- 400 Series Highway

Coordinate System: NAD 1983 UTM Zone 17N

Sources:
 Alectra Utilities
 Teranet
 Ontario Road Network (ORN)
 Created By:
 Alectra Utilities Record Department

Date Published: 12/8/2017

Figure 6: Relative Distances Between Alectra Utilities' Rate Zones

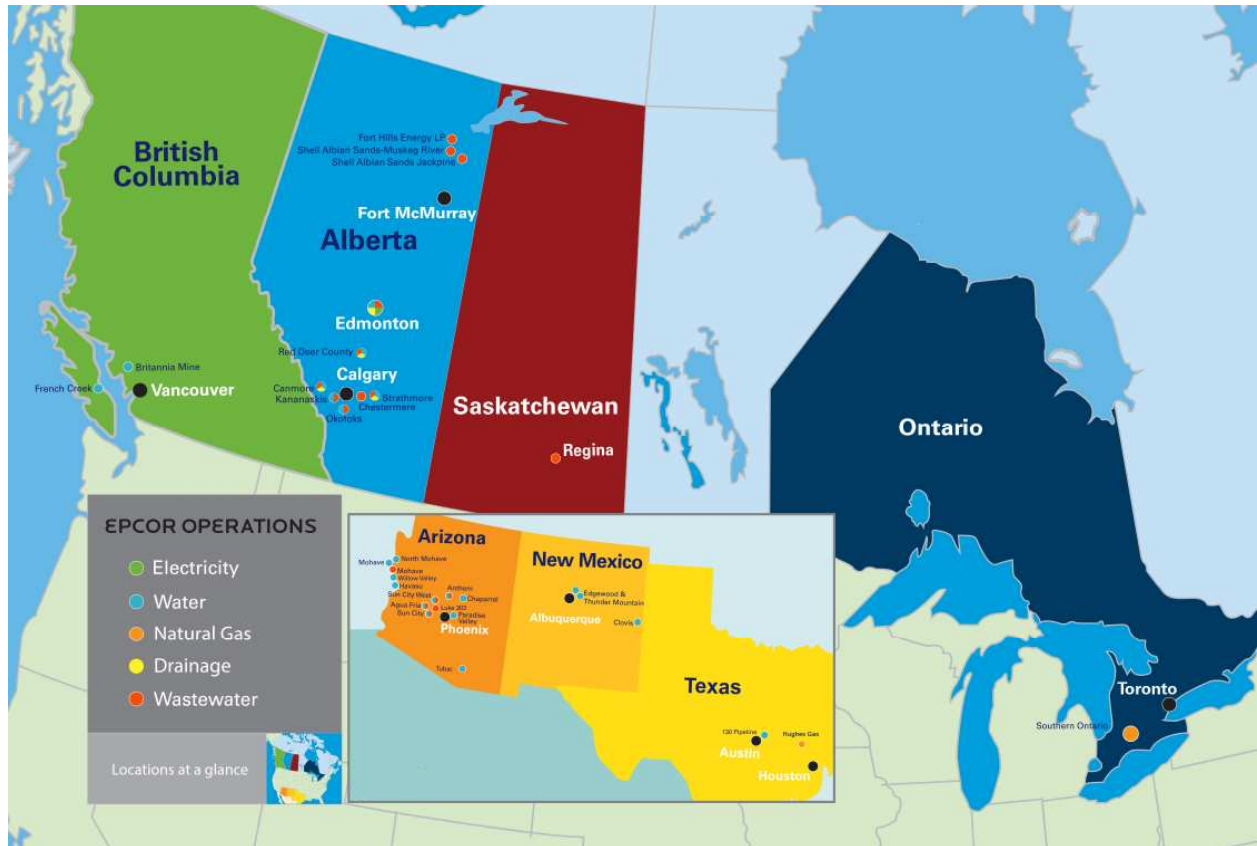


EUI

EUI operates electrical transmission and distribution facilities in Edmonton Alberta. EPCOR Natural Gas Limited Partnership (a subsidiary of EUI) also operates natural gas distribution facilities primarily in Elgin County, Ontario. EUI operates water and/or waste water facilities in Alberta, Saskatchewan and British Columbia as well as in the U.S. states of Arizona and New Mexico as well as a wholesale water supply pipeline and regulated natural gas distribution utility

in Texas. The map below highlights the geographical areas that EUI operates in. EUI does not currently operate electrical distribution facilities on Ontario.

Figure 7: Geographic Footprint of EUI



9.3 Proposed geographic service area after completion of the proposed transaction

Upon completion of this transaction the geographic area of CollusLDC in the Town of Collingwood as well as the Towns of Thornbury, Stayner and Creemore as described in Figure 4 above, will remain unchanged. As detailed above, the electricity distribution license of CollusLDC will remain in place following the closing of the transactions and EPCOR will seek an amendment of the licensee name with the Board to reflect CollusLDC's change of name to EPCOR Collingwood Local Distribution Corp.

9.4 *Description of customers, including number of customers in each class, served by each of the parties to the proposed transaction*

As reported in the 2016 Yearbook of Electricity Distributors, CollusLDC serves approximately 16,864 customers/connections in Collingwood, and the Towns of Thornbury and Stayner and the Village of Creemore.

Table 1 below summarizes the customer profile for CollusLDC:

Table 1: CollusLDC Customers

Rate Class	# of Connections
Residential	14,984
General Service Less Than 50 kW	1,753
General Service > = 50 kW	127
Total	16,864

Table 2 below summarizes the customer profile for Alectra Utilities Corporation as at September 30, 2017

Table 2: Alectra Customers

Rate Class	Count/Connection	Alectra
Residential	Count	886,774
General Service Less Than 50 kW	Count	79,043
General Service >= 50 kW	Count	12,901
Large User	Count	22
Large Use with Dedicated Assets	Count	7
Unmetered Scattered Load Connections	Connection	10,559
Sentinel Lighting Connections	Connection	463
Street Lighting Connections	Connection	213,377
Embedded Distributor	Count	1
TOTAL		1,203,147

9.5 Current net metering thresholds of CollusLDC

The current net metering threshold of CollusLDC is 500 KW's. EPCOR has no plans to change this figure.

9.6 Final legal document to be used to implement the proposed transaction

The final legal documents to be used to implement the transaction are the Alectra Agreement (attached hereto as Schedule D) and the EPCOR Agreement (attached hereto at Schedule E). Copies of appropriate resolutions by parties approving the proposed transaction are attached in Schedule I.

10. Objective 1 – Protect consumers with respect to prices and the adequacy, reliability and quality of electricity service

10.1 Impact with respect to prices

As detailed below, EPCOR expects to generate targeted economies and efficiencies as a result of this acquisition. The cumulative impact of these economies and efficiencies are expected to result in a reduced cost structure for CollusLDC over the long term. It is expected that this will be reflected in a revenue requirement that is lower than it would have been in the absence of this acquisition when EPCOR files its Rate Application for the period after the five year deferred rebasing period. If EPCOR is successful in its stated strategy of aggressively participating in further consolidation of the Ontario LDC market, the economies and efficiencies as detailed below are expected to be increased.

As shown in Year 6 of Table 3, the forecasted cost structure of the proposed transactions will generate annual OM&A efficiencies of approximately \$464,000 relative to the forecasted OM&A costs under the status quo³. This efficiency will translate directly into a lower revenue requirement and therefore rates for customers when it applies to rebase its rates following the five year rebasing deferral period.

³ Status Quo forecast is the CollusLDC 2018 OM&A budget approved by its Board of Directors plus the cost of a CEO. The CEO position has been vacant since mid-2016.

EPCOR has reviewed the existing Distribution System Plan published by CollusLDC and believes it to be reasonable. However, because the proposed transaction does not contemplate a physical consolidation, EPCOR is not expecting to generate any substantial capital savings relative to that of the current Distribution System Plan.

Table 3 illustrates the projected cost savings from this transaction.

Table 3: Year over year comparative cost structure (\$ thousands)

<i>\$000's CAD</i>						
	Year 1 2019	Year 2 2020	Year 3 2021	Year 4 2022	Year 5 2023	Year 6 2024
OM&A						
Status Quo Forecast	5,331	5,425	5,520	5,616	5,752	5,814
EPCOR Forecast*	5,872	5,191	5,110	5,189	5,306	5,350
Projected Savings	-541	234	409	427	446	464
Capital						
Status Quo Forecast**	3,256	3,312	3,303	3,246	3,303	3,361
EPCOR Forecast	3,256	3,312	3,303	3,246	3,303	3,361
Projected Savings	0	0	0	0	0	0

* includes transaction and integration costs in 2019 only

** CollusLDC Distribution System Plan 2017 – 2022. Years 5 and 6 of the forecast is prior year plus 1.75% inflation

As published in the 2016 Yearbook of Electricity Distributors, CollusLDC's OM&A cost per connection is \$291.78. Because no physical consolidation is contemplated in the proposed transaction, this metric will only change as a result of the synergies achieved.

Rate-setting in Years 1 – 5 of the Deferred Rebasing Period

EPCOR is proposing that all CollusLDC customers will have rates adjusted for the first five years following the closing of the proposed transactions based on the Price Cap Incentive Rate-setting adjustment mechanism.

EPCOR is also requesting Board approval to implement a negative rate rider for residential customers, the effect of which would be an immediate 1% reduction of residential customer's base

distribution delivery rates⁴. Following the closing of the proposed transactions the negative rate rider would be effective for years 1 through 5 at which time it would be discontinued. The cost of this rate rider is expected to be approximately \$50,000 per year and EPCOR will not seek to recover this in future rates.

In addition, during this initial five year period following closing, CollusLDC's residential distribution rates will continue to be adjusted to move to a fully fixed distribution charge, per OEB Policy "A New Distribution Rate Design for Residential Customers" (EB-2012-0410). In EB-2015-0062, the OEB approved a four-year transition period for CollusLDC customers to move to fixed rates, beginning in 2016.

For the period after the five year deferred rebasing EPCOR will file a cost of service rate application to support the revenue requirement of the utility. When this rebasing application is filed EPCOR forecasts that rate payers will see a net benefit as the cost structure, and therefore revenue requirement, post-transaction is less than that of the status quo by \$464,000/year.

10.2 Impact with respect to the adequacy, reliability and quality of electricity service

EPCOR expects to maintain or improve existing CollusLDC service levels and quality standards for CollusLDC's customers.

Table 4 below identifies the SAIDI and SAIFI metrics over the last five years for CollusLDC's system. This table highlights that the CollusLDC system has historically been achieving acceptable levels of reliability. The values increased for 2015 and 2016 as the result of a major project initiated by Bell Canada who has been installing Bell Fibre throughout CollusLDC's service territory. This project was completed in 2017. As detailed above, EPCOR is committed to retaining all CollusLDC staff members and strengthening the existing level of operational capability in the communities serviced by CollusLDC through knowledge transfer from EUI. By retaining CollusLDC employees who are familiar with the territory and the system they service, the utility is positioned to address any reliability concerns that may exist subsequent to the completion of the Bell project. This will enable the utility to work to provide service levels and quality standards that meet or exceed the target for CollusLDC's service territory.

⁴ A negative rate rider will result in a 1% reduction of base delivery rates as approved by the OEB in EB-2016-0064. For additional clarity, this rate rider would not apply to any rate riders in effect during the five year deferred rebasing period.

Table 4: CollusLDC's Reliability Metrics

	2012	2013	2014	2015	2016
Duration (SAIDI)	0.51	0.1	0.03	2.36	1.54
Frequency (SAIFI)	0.21	0.73	0.63	0.88	0.84

Figure 8 and Figure 9 below detail EUI's SAIDI and SAIFI metrics over the last five years. While the SAIDI and SAIFI values of EUI's system are not directly comparable to CollusLDC's due to a number of system differences including system size, the length and number of customers on distribution feeders, response times related to size and congestion, and that EUI's system includes rural aerial 25kV feeders that are quite long for an urban environment. However, a comparison between EUI's reliability metrics and the average of the 10 largest systems in Ontario is instructive and demonstrates that EUI has the expertise and experience to operate an electrical distribution system at high service levels.

Figure 8: Comparison of EUI and Ontario LDC SAIDI Metrics

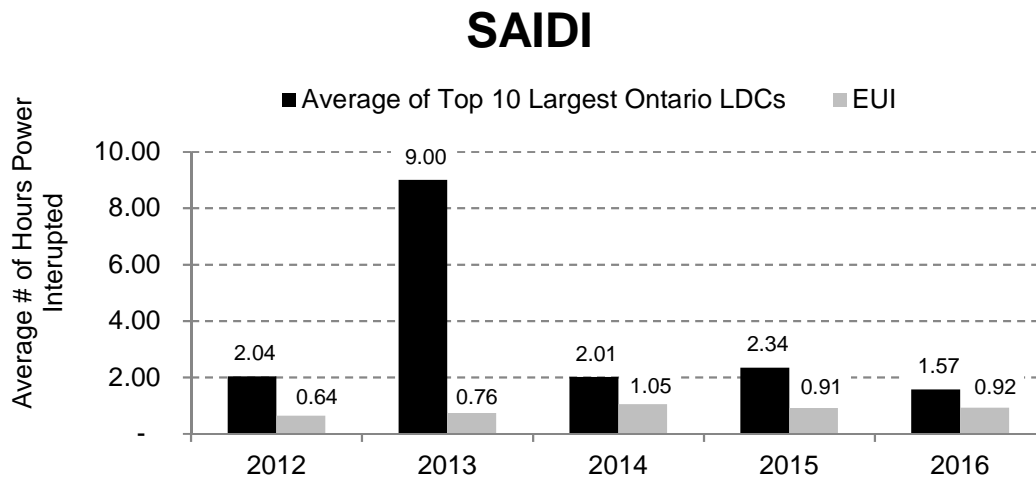
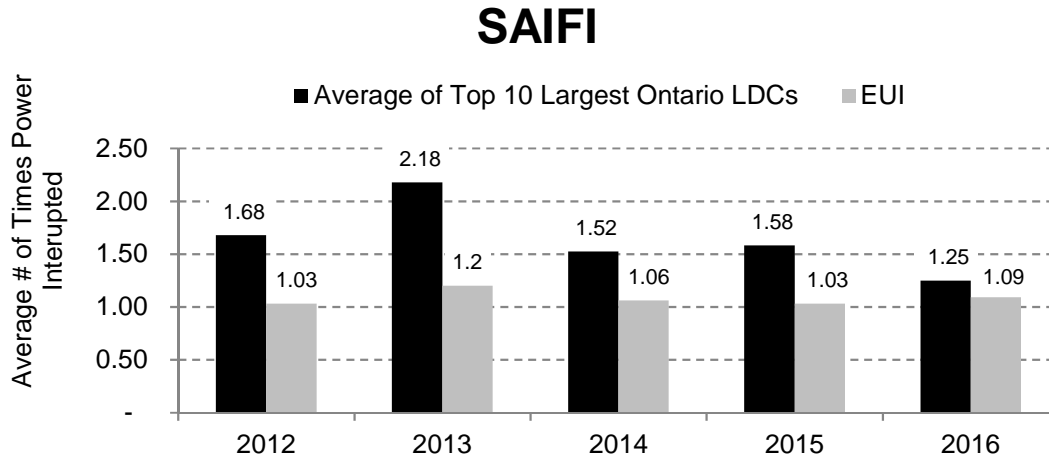


Figure 9: Comparison of EUI's and Ontario LDC SAIFI Metrics



As stated above, in addition to retaining local operating expertise, EPCOR will access the operating expertise developed by EUI that supports the service levels as detailed in the Figures above. This includes EUI's experience with advanced asset management techniques such as Computerized Maintenance Management / Work Management System (CMMS) that are integrated with periodic visual inspection regimes. This allows EUI to actively monitor the condition of assets, perform condition based maintenance and refurbish equipment, or replace deteriorating assets on an as-needed basis, thus planning and organizing the level of maintenance required to ensure ongoing reliable utility performance. EUI also has a dedicated Project Management Office whose experienced staff have comprehensive project management experience completing a wide range of project sizes and types and will share this experience with EPCOR.

Above-standard Customer Service

CollusLDC and EPCOR each have programs that support customer service levels which exceed the targets as established by their respective regulators. EPCOR expects to maintain or improve CollusLDC's existing customer service quality and satisfaction standards. This will be accomplished first by the above referenced retention of existing CollusLDC staff and secondly through ongoing knowledge transfer between EUI and CollusLDC.

Some of the service quality metrics that EPCOR and CollusLDC are measured against are comparable. As an example, in 2016, EUI's distribution business energized 27,835 sites, taking an average 2.3 days from the creation date of the energization service order. This is materially under the timeline of five days included in the OEB's Distribution System Code.

As to customer satisfaction performance metrics, in 2016 EUI exceeded the target of 75% for each of the metrics established by its regulator, the Alberta Utilities Commission. Results are established through an independent survey conducted by Leger Marketing. This includes the following performance measures.

Table 5: EUI Performance Measures

Performance Measure	EUI 2016 Actual
Provides reliable electricity	95.0%
Provides good service to their customers	88.3%
Has a good reputation in the community	84.8%

While the customer satisfaction metrics that EUI is measured against are similar but not directly comparable to those established by the OEB, the superior results achieved by EUI do demonstrate that EPCOR has a history of, and the capability to operate an electrical distribution company in a manner that exceeds expectations. This extends to quality performance metrics measuring billing performance. In 2016 EUI billed 99.999% of sites within 8 business days which exceeded the AUC target of 95% and exceeded the bill completeness target with results of 99.995% versus the target of 98%.

10.3 Describe how the distribution systems within the service areas will be operated, including whether the proposed transaction will cause a change of control

Following OEB approval of the transaction, EPCOR intends to acquire 100% of the shares of CollusHoldco, the parent company of CollusLDC. As EPCOR does not currently own an electrical distribution company in Ontario, EPCOR will not be physically consolidating the CollusLDC system with another distribution system. As a result, the distribution system will continue to be owned by CollusLDC. Only the parent company, CollusHoldco will be subject to a change in control. See Figure 3: Phase 2 Acquisition for a diagram of this transaction.

EPCOR will maintain a head office in Collingwood for CollusLDC as per Section 58.1 of the OEB Act. To support the ongoing operations of CollusLDC, EPCOR has committed to retain all current CollusLDC staff for a period of two years. As EPCOR does not currently own an electrical distribution company in Ontario it expects to retain current employees for a period exceeding the two year contractual commitment. This will allow EPCOR to retain the local knowledge of operating and administrative staff and operate the system in a manner that is expected to maintain

or exceed current operating metrics. As discussed below, EPCOR will supplement the operational and administrative functions of CollusLDC by implementing knowledge sharing processes in targeted operational and administrative functions. Not a consolidation in the traditional physical sense, however, this process will ensure local control of the LDC while enabling access to knowledge and potential economies of scale developed by EUI. These benefits are expected to be increased as EPCOR intends to be an aggressive player in further consolidation activities in Ontario.

11. Objective 2 – Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a financially viable electricity industry

11.1 Indicate the impact of proposed transaction on economic efficiency and cost effectiveness in the distribution of electricity; identifying the various aspects of utility operations where the applicant expects sustained operation efficiencies (both quantitative and qualitative).

Table 3 above identifies a forecasted an OM&A cost structure that is approximately \$464,000 more efficient by year 6 of the analysis than the status quo. These permanent savings can be broadly categorized as efficiencies generated through the sharing of administrative and leadership functions. EPCOR has no plans to lay off any staff.

Following close of the proposed transaction, EPCOR intends to re-organize the management structure of CollusLDC to align with that of EUI. This re-organization will change the reporting structure related to the delivery of administrative and leadership functions while leaving the direct operations, and management thereof, relatively unchanged from a reporting perspective.

This re-organization of leadership and administrative functions will allow staff to gain access to economies of scale available through a controlled integration with EUI's shared services as local employees undertaking these functions become aligned with EUI shared service functions. Many CollusLDC staff that perform select administrative or leadership functions will continue to be employees of EPCOR and will be viewed as embedded service providers by EUI.

EUI has successfully implemented this type of shared service delivery model in the past. EUI's experience is that it results in an increase in economic efficiency and cost effectiveness by allowing embedded employees to be part of a larger group of individuals providing similar services. These gains can be generated as embedded employees have access to a pool of specialized knowledge and expertise as required and due to potential work load leveling among individuals within the shared service unit.

Of note is that the relationships described below will be formalized by service level agreements that will be in compliance with the OEB's Affiliate Relationship Code for Electricity Distributors and Transmitters ("ARC")⁵.

These efficiencies can be subdivided into two parts: resources of CollusLDC that will be shared with affiliates of EUI and resources of EUI affiliates that can be shared with CollusLDC.

Efficiencies gained by sharing resources of CollusLDC with affiliates of EUI:

- Leadership – The CEO position for CollusLDC, which is currently vacant, will be filled with an individual that will have responsibilities that include all of EUI's Ontario operations. As such, the cost of the position will be lower to CollusLDC because it will be allocated across a larger business than they otherwise would under the status quo. These efficiencies will be enhanced as EUI expands its Ontario operations.
- Financial – Following the closing of the proposed transaction the CollusLDC finance team will remain as an embedded resource within CollusLDC with dotted line reporting to the CollusLDC CEO, but will report directly to EUI's financial leadership function. This type of reporting structure has been proven within EUI and will provide this team with access to a much broader set of subject matter experts, processes, and systems. By implementing the systems and processes of EUI, EPCOR expects to increase the efficiency of the team, thereby reducing the amount of time spent by CollusLDC finance staff performing their current functions. Freed up time will be spent providing similar services to EUI's other Ontario-based affiliates, thereby reducing the effective cost to CollusLDC.
- Regulatory – currently CollusLDC has one regulatory resource responsible for supporting the regulatory requirements of the utility. Following the closing of the proposed transaction, this position will become responsible for assisting affiliates of EUI with similar services, thereby reducing the overall OM&A cost of CollusLDC.

Efficiencies gained by resources of EUI affiliates that can be shared with CollusLDC

⁵ Affiliate Relationships Code for Electricity Distributors and Transmitters (March 15, 2010) ("ARC")

Following the closing of the proposed transaction, CollusLDC resources that perform the following functions will report to their respective functional area within EUI and be allocated across a much larger business:

- Human Resources – CollusLDC currently has one HR resource to support the requirements of the business. Human resources is a function at EUI that is provided centrally and for which the costs would be allocated to CollusLDC. Upon close, the HR function will report to, EUI’s HR leadership group but remain an embedded resource within CollusLDC. This will allow the individual to perform HR services not only for CollusLDC but other EPCOR affiliates as well, thereby generating cost efficiencies. The cost of providing HR services to CollusLDC would be allocated at a lower cost than the status quo cost structure. Not only is this more cost effective, but it also provides CollusLDC with a broad set of subject matter expertise and systems that it currently does not have.
- Information Technology – there are currently three IT resources employed by CollusLDC. Following the closing of the proposed transaction, many of the information services required by CollusLDC will be provided by EUI through its existing Corporate IT group. As such, these resources will become part of EUI’s corporate information services department but be embedded within CollusLDC as resources that will be shared across all of EUI’s affiliates. Therefore, their time spent providing services to affiliates will be allocated accordingly which lowers the OM&A costs of CollusLDC.

11.2 Identify all incremental costs of the proposed transaction and how these costs will be financed

EUI’s incremental transaction costs are estimated at \$760,000. These include legal and advisory costs relating to completion of the transaction, costs associated with the necessary regulatory approvals, and certain payments made to the Town.

For clarification, EUI is categorizing the \$200,000 contribution that EUI is making towards the Town’s transaction costs, the \$150,000 contribution towards the Town’s Waterfront Master Plan Reserve Fund and the \$10,000 towards costs incurred as a result of its role as nominee and trustee related to existing Infrastructure Ontario loans as elements of EUI’s incremental transaction costs.

EUI's incremental integration costs are estimated at \$300,000. These costs include IT, HR, health safety and environment, legal and, advisory costs amongst others. EPCOR is not expecting to incur any incremental ongoing costs.

EUI expects to finance these costs during the five year rate rebasing deferral period through productivity gains associated with the transaction. Any costs not recovered during this period will be funded by EUI and will not be funded by ratepayers after the deferral period.

11.3 Provide a valuation of assets or shares that will be transferred in the proposed transaction

Subject to typical adjustments at closing, the implied valuation of the transaction is approximately \$36.8 million dollars, comprising a cash payment of approximately \$25.0 million for the shares of CollusHoldco plus the assumption of debt and working capital. An additional cash payment of \$360,000 will be made to the Town of Collingwood which includes \$200,000 to cover its transaction costs, \$150,000 to support the redevelopment/rehabilitation of public waterfronts lands in the Town of Collingwood and \$10,000 to address expenses incurred by the vendor in connection with the vendor's assignment and assumption of the Financing Agreements as per Article 7 of the EPCOR Agreement. Assets acquired in this transaction include CollusLDC's rate base of approximately \$20 million plus net regulatory assets of approximately \$1 million. Each of these values are as per CollusLDC's audited 2016 financial statements as attached in Schedule F.

The purchase price was arrived at as a result of negotiations between the parties and represents a commercial agreement between a willing seller and a willing buyer. As discussed below, EUI has the financial capacity necessary to fund the purchase price and the amount of consideration paid will not have a material impact on EUI's financial position, nor will EPCOR seek to increase its future revenue requirements recovered from customers in order to recover any of the premium paid over the rate base. This includes during and post the rate deferral period.

11.4 Details as to why purchase price will not have an adverse effect on the financial viability of the acquiring utility

EPCOR has the financial capacity necessary to fund the purchase price, other payments as included in the EPCOR Agreement and summarized above, as well as any capital projects in the future to ensure system reliability and service quality is maintained across CollusLDC's system. EPCOR's parent company, EUI, is a public issuer of debt with current credit ratings of A- (S&P) and A (low) stable (DBRS). In fiscal 2016, EUI's consolidated revenue was \$1.946 billion with \$379 million in operating income and \$412 million in funds from operations. Presently, EUI has credit facilities totaling \$600 million of which \$600 million is available for borrowing. EUI also has the ability to issue long-term debt in the Canadian public debt market through an existing \$2 billion short-form

base shelf prospectus, of which the entire \$2 billion capacity is presently available. Schedule G to this Application contains EUI's two most recent (2015 and 2016) audited annual financial statements.

EUI confirms it will provide all the funding required to complete the purchase of all the shares being acquired. The amount of consideration paid by EPCOR will not have a material impact on EUI's financial position. The purchase price will be paid in cash, and is an amount that is less than 0.4% of EUI's total assets.

EUI's financial ratios based on its audited 2016 year end consolidated financial statements are presented in Table 6 below and compared to CollusLDC's 2016 financial ratios as published in the OEB's 2016 Yearbook of Electricity Distributors.

Table 6: Financial Ratios

	EUI	CollusLDC
Liquidity Ratio		
Current Ratio (Current Assets/Current Liabilities)	1.37	1.29
Leverage Ratios		
Debt Ratio (Total Debt/Total Assets)	0.31	0.29
Debt to Equity Ratio (Total Debt/Shareholder's Equity)	0.72	1.26
Interest Coverage (EBIT/Interest Charges)	3.84	3.27
Profitability Ratios		
Financial Statement Return on Assets (Net Income/Total Assets)	5.00%	2.36%
Financial Statement Return on Equity (Net Income/Total Assets)	11.60%	10.10%

Given the relative size of the organizations, and that in each of the above financial ratios, EUI presents a stronger position than that of CollusLDC, the transaction poses no harm in respect of the financial viability of EUI, EPCOR or the electrical distribution industry.

11.5 Details of the financing of the proposed transaction

EPCOR will fund the purchase and other payments as included in the EPCOR Agreement from a combination of equity and a long-term note payable to its parent company, EUI. The long-term note payable will be at a market interest rate appropriate for EPCOR's credit worthiness. EUI will

fund EPCOR's equity and long-term note from a combination of cash on hand, issuing long-term debt notes in the Canadian public market under its \$2 billion short-form base shelf prospectus, drawing on its \$600 million syndicated bank credit facility or issuing commercial paper.

11.6 Financial statements

Schedule G to this Application contains EUI's two most recent (2015 and 2016) audited annual financial statements.

11.7 Pro forma financial statements

Schedule H to this Application contains the pro forma financial statements for CollusLDC for the first full year following close of the proposed transaction.

12. Rate Considerations for Consolidation Applications

EPCOR has no electric distribution assets in Ontario and as such this transaction will not consolidate the rates of CollusLDC with that of another utility.

12.1 Indicate a specific deferred rate rebasing period that has been chosen

EPCOR is proposing a deferred rate rebasing period of five years from closing. During this time, CollusLDC customers will have their rates adjusted by the Price Cap IR adjustment mechanism.

As EPCOR is proposing a deferred rate rebasing period of five years it is not proposing to implement an earnings sharing mechanism, as per the Report of the Board: Rate-Making Associated with Distributor Consolidation (March 26, 2015).

13. Other Related Matters

13.1 Conservation and demand management

The Applicants understand that the Board does not require information on Conservation and Demand Management ("CDM") as part of a section 86 application. However, as conservation and

demand management is one of the Board's objectives under section 1 of the OEB Act, the Applicants submit that it is acceptable to provide the short summary of CDM initiatives herein, particularly as the Applicants are aware that conservation and demand management can be a topic of interest.

EPCOR intends to continue to implement the joint CDM program among Alectra Utilities, CollusLDC and Erie Thames Powerline Corporation that has been filed and approved by the IESO. Retention of CollusLDC's employees will ensure that the implementation of the program continues to benefit ratepayers in at least the level as currently exists.

EUI has previously implemented demand side management programs for its water business within the City of Edmonton, including information programs targeted at high consumption customers and energy efficiency programs to reduce internal power use. EPCOR intends to utilize this expertise and will examine opportunities to augment CollusLDC's conservation and efficiency programs.

13.2 Approval to continue to track costs to the deferral and variance accounts currently approved by the OEB

EPCOR requests the Board's approval to continue to track costs in the deferral and variance accounts currently approved by the Board for all Ontario LDC's as well as for CollusLDC.

13.3 Request to continue with existing rate riders currently approved by the OEB

EPCOR requests the Board's approval to extend the application of rate riders currently granted to CollusLDC pursuant to CollusLDC's current rate tariffs attached hereto at Schedule J.

13.4 Confirmation that IFRS will continue to be used

EPCOR confirms that it will continue to use IFRS.

14. List of Schedules

Schedule	Content
A	Collingwood PowerStream Utility Services Corp. Corporate Structure
B	EPCOR Corporate Structure
C	EUI July 2017 Investor Presentation
D	Alectra Agreement
E	EPCOR Agreement
F	CollusPowerStream Corp. Audited Financial Statements 2015 & 2016
G	EUI Audited Financial Statements 2015 & 2016
H	Pro Forma Financial Statements of CollusLDC
I	EUI Resolution Town of Collingwood Resolution
J	Collus PowerStream Corp. Approved Distribution Tariff
K	EUI Certification of Evidence Town of Collingwood Certification of Evidence
L	Alectra Utilities Corporate Structure

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